

Message Text

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TAGS: ETRD, ETRN, XG, XH, JA, US

SUBJECT: PLACEMENT OF INSURANCE ON SHIPMENTS IN
EAST-WEST TRADE

BEWT FOR RICE AND SUZANNE PORTER

REF: STATE 023552

1. SUMMARY: WHILE THERE IS NO LEGAL OR OTHER
FORMAL DISCRIMINATION AGAINST WESTERN INSURERS
WITH RESPECT TO MARITIME INSURANCE ON SHIPMENTS TO
USSR AND EE COUNTRIES, STANDARD FORM CONTRACTS USED BY
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SOVIET AND EE FTO'S PROVIDE THAT INSURANCE COVERAGE

BE WRITTEN BY SOVIET OR EE NATIONAL INSURANCE CARRIER. MOST WESTERN FIRMS DO NOT CONSIDER IT ESSENTIAL TO USE WESTERN INSURANCE CARRIER AND ACCEPT SOVIET OR EE NATIONAL INSURANCE FIRM AS INSURER.

2. AMERICAN INTERNATIONAL UNDERWRITERS REPRESENTATIVE IN AUSTRIA STATES THERE IS NO DISCRIMINATION BY SOVIET OR OTHER EE COUNTRIES AGAINST WESTERN INSURANCE COMPANIES WITH RESPECT TO WRITING OF MARITIME INSURANCE POLICIES. AIU PRACTICE IN INSURING ITS CLIENTS IS TO TAKE WHOLE OF OCEAN AND THAT PORTION OF INLAND COVERAGE RELATING TO SHIPMENTS IN WEST. FOR SHIPMENTS IN EAST AIU TAKES BASIC POLICY FOR MOST OF COVERAGE BUT CEDES MINOR PORTION, USUALLY 10 PERCENT, OF POLICY TO SOVIET OR EASTERN COMPANY AS REINSURANCE IN ORDER TO GAIN ACCESS TO CLAIMS STRUCTURE IN USSR OR EE. UNDER LATTER TYPE POLICY AIU HAS RIGHT TO BE PRESENT DURING SITE INSPECTION RELATING TO ANY CLAIM ARISING BUT CLAIMS WORK IS DONE BY USSR OR EE CARRIER UNDER POLICY. AIU COULD, IF IT WISHED, TAKE ENTIRE INLAND COVERAGE FOR SHIPMENTS IN USSR OR EE BUT IN SUCH CASE WOULD HAVE NO WAY OF VALIDATING OR INVESTIGATING CLAIMS ARISING IN EAST.

3. EXAMPLE OF AIU PRACTICE IS FOUND IN INSURANCE COVERING ALLEN SCOTT CO. DELIVERIES OF MEAT PLANT MATERIALS TO POLAND.

4. OTHER SOURCES CONFIRM THAT THERE IS NO FORMAL DISCRIMINATION BY USSR OR EE COUNTRIES AGAINST WESTERN INSURERS OF MARINE TYPE POLICIES BUT IF SOVIET OR EE PARTNER CONTROLS PLACEMENT OF POLICY IT ALWAYS INSURES WITH ITS NATIONAL CARRIER.

5. WE NOTE AS EVIDENCE OF PRESSURE TO INSURE WITH INGOSSTRAKH THAT STANDARD PURCHASE CONTRACT OF SOVIET FTO STANKOIMPORT SPELLS OUT CONDITIONS OF INSURANCE AND NAMES INGOSSTRAKH AS INSURER (SEE PAGES 98, 185 AND 194 OF "DOING BUSINESS WITH THE USSR" PUBLISHED BY BUSINESS INTERNATIONAL, LIBRARY OF CONGRESS LIMITED OFFICIAL USE

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CATALOG CARD NO. 70-184008). PRESUMABLY OTHER STANDARD SOVIET AND PERHAPS EE FTO CONTRACT FORMS ALSO NAME INGOSSTRAKH OR EE INSURANCE FIRM AS INSURER AND UNLESS WESTERN SELLER RENEGOTIATES THIS CLAUSE INSURANCE WILL BE WRITTEN BY INGOSSTRAKH OR EE FIRM. WE UNDERSTAND THAT MOST LAWYERS ADVISING WESTERN FIRMS ON EAST-WEST TRADE BELIEVE THAT EASIEST AND MOST PRACTICAL COURSE IS TO USE SOVIET OR EE STANDARD FROM CONTRACT WITH

RENEGOTIATION ONLY OF THOSE CLAUSES WHICH WESTERN
PARTY TO CONTRACT CONSIDERS OF CRITICAL IMPORTANCE.
INSURANCE CARRIER ORDINARILY WOULD NOT FALL INTO LATTER
CATEGORY.

6. EXAMPLE OF SITUATION DESCRIBED IN PARA 5 IS DOW
CHEMICAL CO. SHIPMENTS TO USSR FROM WESTERN EUROPE.
DOW REP IN VIENNA SAID THAT WHEN INSURANCE WAS DISCUSSED
DURING CONTRACT NEGOTIATIONS, SOVIETS SAID THEY WOULD
PREFER IF INSURANCE ON DOW SHIPMENTS TO USSR WAS
PLACED WITH INGOSSTRAKH. DOW SAW NO REASON WHY IT
SHOULD NOT OBLIGE SOVIETS ON THIS POINT WHICH DOW DOES
NOT REGARD AS ESSENTIAL.

7. INFORMATION TO RESPOND TO QUESTIONS IN PARAS 9 - 12
NOT AVAILABLE. ANSWER TO QUESTIONS IN PARAS 13 AND
14 IS NO, REPEAT NO.HUMES

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